

ORDER NO. 5306

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Michael Kubayanda, Vice Chairman;  
Mark Acton;  
Ann C. Fisher; and  
Ashley E. Poling

Competitive Product Prices  
Parcel Select & Parcel Return Service Contract 9  
(MC2019-102)  
Negotiated Service Agreements

Docket No. CP2019-111

ORDER APPROVING AMENDMENT ONE TO PARCEL SELECT & PARCEL RETURN  
SERVICE NEGOTIATED SERVICE AGREEMENT

(Issued November 14, 2019)

I. INTRODUCTION

The Postal Service seeks to amend a Parcel Select & Parcel Return Service negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

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<sup>1</sup> USPS Notice of Amendment to Parcel Select & Parcel Return Service Contract 9, Filed Under Seal, October 29, 2019 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 5033, the Commission approved the Parcel Select & Parcel Return Service Contract 9 negotiated service agreement (Existing Agreement).<sup>2</sup> On October 29, 2019, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On October 31, 2019, the Commission issued a notice reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, and the financial model filed under seal. PR Comments at 1. Based on that review, he concludes that the Existing Agreement, as amended, may be accepted by the Commission. *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

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<sup>2</sup> See Docket Nos. MC2019-102 and CP2019-111, Order Adding Parcel Select & Parcel Return Service Contract 9 to the Competitive Product List, April 1, 2019 (Order No. 5033).

<sup>3</sup> See Docket No. CP2019-111, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, October 31, 2019.

<sup>4</sup> Public Representative Comments on United States Postal Service Notice of Amendment to Parcel Select and Parcel Return Service Contract 9, November 1, 2019 (PR Comments).

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment extensively revises the Existing Agreement by subdividing existing rate categories to permit separate pricing for different mailing accounts, and by expanding the range of available premium service offerings. Notice, Attachment A at 1-3, 12-13. The Amendment also revises the negotiated rates and the implementation of tiered pricing and annual price adjustments. *Id.* at 4-11.

Based on a review of the record, the Commission finds that the Existing Agreement, as amended, should cover its attributable costs. 39 U.S.C. § 3633(a)(2). For this reason, it finds that the Existing Agreement, as amended, should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Existing Agreement, as amended, is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). See *also* 39 C.F.R. § 3015.7(c). Accordingly, a preliminary review of the Amendment indicates it is consistent with section 3633(a). The annual rate adjustment provision in section I.E. of the Existing Agreement, as amended, should allow its revenues to cover costs for the duration of its term. Notice, Attachment A at 11-12.

The Commission will continue to review the cost coverage of the Existing Agreement, as amended, in its Annual Compliance Determination to ensure that rates cover costs. However, the Commission notes that the Existing Agreement, as amended, contains a diverse array of rate categories and premium service offerings,

some of which are novel. To assist the Commission in monitoring ongoing compliance for this contract, the Commission directs the Postal Service to report contract-specific volumes, costs, and workhours on a quarterly basis for the duration of this contract. Each report shall be filed in this docket within 30 days of the completion of each quarter of the fiscal year, with the first report due March 2, 2020. Additionally, for each of the permutations of premium service offerings in section I.K. of the Existing Agreement, as amended, the Postal Service is directed to provide a narrative describing how costs are modelled and measured. This narrative shall be included with the first quarterly report that shows volume receiving these services.

*Other considerations.* The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1. If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Parcel Select & Parcel Return Service Contract 9 negotiated service agreement, as amended.
2. The Postal Service shall report contract-specific volumes, costs, and workhours—and other information as described in the body of this Order—on a quarterly basis for the duration of this contract. Each report shall be filed in this docket within 30 days of the completion of each quarter of the fiscal year, with the first report due March 2, 2020.

3. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Darcie S. Tokioka  
Acting Secretary